BUDGET PROCESS CHANGES IN THE PRESIDENT'S 2001 BUDGET

The President's 2001 budget includes several proposed changes in the budget process. Proposals to revise and extend the statutory discretionary spending caps and extend the pay-as-you-go statute would require changes in law, and could not be accomplished as part of the budget resolution. The President's recommendations on restoring budgetary conventions could be realized as part of the regular appropriations process. Biennial budgeting and expedited rescissions would require a change in law. Any revision in the way that Congress budgets for insurance could be accomplished as a simple scorekeeping change and would require no legislation.

The President's proposed Social Security Solvency Lockbox and Medicare Solvency debt reduction reserve could be established in a budget resolution. However, the Social Security Solvency Lockbox would additionally require a change in law prior to any transfers of interest savings from the general fund to the Social Security trust funds, which would occur beginning in 2011 under the President's plan. Likewise, amounts in the Medicare Solvency debt reduction reserve could be used only for debt reduction unless subsequent legislation were enacted to permit those funds to be used for Medicare or for a catastrophic prescription drug program as envisioned by the President.

These proposals are described in more detail below. Additional information on these proposals can be found in the Budget Enforcement Act Preview Report located in the Analytical Perspectives volume of the President's budget at pp. 285-294. More details regarding the Social Security Solvency Lockbox and the Medicare Solvency debt reduction reserve can be found on pp. 272-273 in the "Federal Borrowing and Debt" section of the same volume.

Revise and Extend Limits on Discretionary Spending

The President's budget would extend through 2010 the caps on annual discretionary spending that are currently set to expire in 2002. The caps, which are enforced by sequesters, would be extended at a level slightly below the current services baseline. However, the President does not propose that the caps on spending for highways, mass transit, or violent crime reduction be extended. Discretionary caps for highway and transit would expire as provided under current law in 2003, and the Violent Crime Reduction discretionary cap would expire in 2000.

The President also proposes dedicated discretionary funding of $1.4 billion for his Lands Legacy initiative to expand federal protection of critical lands, help states and communities preserve local lands and habitat, and strengthen protections for oceans and coasts. To protect this funding, the President proposes a new Lands Legacy discretionary budget category and a new set of discretionary caps within the overall caps that would apply specifically to limit discretionary spending on the Lands Legacy initiative. The proposed levels for the discretionary spending limits are shown in Table 1, below.

Table 1: Proposed Discretionary Spending Limits

($ billions)		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
TOTAL	**BA**	**589.3**	**614.3**	**625.5**	**635.5**	**650.1**	**665.4**	**683.1**	**701.2**	**719.7**	**738.7**	**757.7**
	O	**608.1**	**626.4**	**648.9**	**663.3**	**678.7**	**699.2**	**709.1**	**723.0**	**743.2**	**761.5**	**780.1**
Lands legacy . . .	BA	---	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.7
	O	---	1.0	1.2	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7
Violent Crime . . .	BA	4.5	—	—	—	—	—	—	—	—	—	---
	O	6.3	—	—	—	—	—	—	—	—	—	---
Highways	BA	—	—	—	—	—	—	—	—	—	—	---
	O	24.6	27.0	28.0	27.8	—	—	—	—	—	—	---
Mass Transit	BA	—	—	—	—	—	—	—	—	—	—	---
	O	4.0	4.6	5.4	5.9	—	—	—	—	—	—	—
Other	BA	584.8	612.9	624.1	634.1	648.6	663.9	681.6	699.6	718.1	737.0	756.0
	O	573.1	593.9	614.2	628.1	677.3	697.7	707.6	721.5	741.6	759.9	778.5

Note: Dollars rounded to billions. For dollars in millions see Federal budget.

Pay-As-You-Go

In his budget, the President proposes that the existing pay-as-you-go law – currently set to expire in 2002 – be extended through 2010. The paygo law requires that all mandatory spending or revenue legislation that would reduce the surplus or increase the deficit be fully offset in order to avoid triggering a sequester at the end of the fiscal year.

Social Security Solvency Lockbox

The President proposes a Social Security Solvency Lockbox to ensure that Social Security surpluses are locked away for Social Security. In addition to locking away off-budget surpluses, it would extend the solvency of Social Security by transferring from the general fund to Social Security, beginning in 2011, the interest savings on debt held by the public that are achieved as a result of not using Social Security surpluses.

Medicare Solvency Debt Reduction Reserve

The President's budget would allocate a portion of the non-Social Security surplus to a new Medicare Solvency debt reduction reserve. The reserve would include $299 billion to extend the solvency of the Hospital Insurance Trust Fund from 2015 to 2025, as well as a $35 billion reserve for catastrophic prescription drug coverage. These reserves would make up a new budget category parallel to the existing on-budget and off-budget categories. Amounts in this category would not be available for spending under the budget resolution or on the paygo scorecard. This reserve could be used only for debt reduction, pending use for Medicare or a catastrophic prescription drug program.

Restoring Budgetary Conventions

The President proposes to replace 2001 advance appropriations enacted last year that departed from budgetary conventions with full, up-front funding in 2000. This proposal would not affect advance appropriations enacted for programmatic reasons such as advance funding for the Corporation for Public Broadcasting or multi-year construction programs. This year's budget also proposes to reverse a number of obligation delays and timing shifts that were enacted last year, restoring traditional budgetary treatment of those items. The table below shows the budget effect of these restorations.

Table 2: Restoring Budgetary Conventions

	2000		2002		2003		2004	
($ billions)	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Defense:								
Pay	—	3.5	—	-3.5	—	—	—	---
Obligation delays	—	1.3	—	-1.3	—	—	—	---
Nondefense:								
Pay	—	4.7	—	-4.7				
Obligation delays	—	0.8	—	-0.8				
Advance appropriations . . .	14.4	—	—	—	—	—	—	---
Total discretionary	14.4	6.0	—	-6.0	—	—	—	---
Mandatory:								
Veterans compensation . . .	1.8	1.8	-1.8	-1.8	—	—	—	---
SSI	2.2	2.2	-2.2	-2.2	—	—	—	---
Medicare	—	—	—	—	4.5	4.5	-4.5	-4.5
Total, mandatory	4.0	4.0	-4.0	-4.0	4.5	4.5	-4.5	-4.5
TOTAL RESTORATIONS . . .	**18.4**	**10.0**	**-4.0**	**-10.0**	**4.5**	**4.5**	**-4.5**	**-4.5**

Biennial Budgeting

Currently, the President submits budget plans to Congress on an annual basis, and Congress likewise budgets and appropriates annually. Under biennial budgeting, in the first year of a new Congress, the President would be required to submit to Congress a two-year budget plan. Congress would then pass its own two-year budget and enact two-year appropriations bills, and use the second year of each Congress for considering authorizing legislation. The President's budget expresses support for biennial budgeting.

Expedited Rescissions

The Supreme Court has previously ruled the Line Item Veto Act unconstitutional, eliminating the President's ability to cancel single items of spending within appropriations bills. However, under the Impoundment Control Act, the President still has the authority to propose rescissions. Rescissions are special messages from the President which propose that all or part of previously-appropriated budget authority be canceled. It is Congress's responsibility to review all proposed rescissions. Currently, the President can withhold for 45 days funding that he has proposed be rescinded. If Congress does not approve rescissions within 45 days, the funds must be released. Some Members of Congress have proposed to strengthen this rescission process by requiring Congress to vote on all rescission items proposed by the President. The President supports such "expedited rescission" authority.

Budgeting for Insurance

Congress has drafted legislation that would change the way the federal government budgets for insurance. The President's budget expresses support for the objective of budgeting for insurance on an accrual basis, but states that more time is needed to develop a satisfactory framework for such a change.

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